

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6659

BILL NUMBER: HB 1622

NOTE PREPARED: Feb 23, 2007

BILL AMENDED: Feb 19, 2007

SUBJECT: Sales Tax on Gasoline.

FIRST AUTHOR: Rep. Oxley

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that the State Gross Retail Tax may not be applied to the sale of: (1) gasoline after the pretax price of gasoline reaches \$1.77 per gallon; or (2) special fuel after the pretax price of special fuel reaches \$1.88 per gallon.

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will be required to update computer software, amend tax forms, and develop rules and procedures for calculating Sales Tax on gasoline under this bill.

Explanation of State Revenues: (Revised) This bill will decrease state revenues by between an estimated \$38 M and \$44 M annually by providing that the Sales Tax may not be applied to the sale of gasoline after the pretax price of gasoline reaches \$1.77 per gallon. The bill also provides that Sales Tax may not be applied to the sale of special fuel after the pretax price of special fuel reaches \$1.88 per gallon. The decrease in Sales Tax revenue due to the provision for special fuel is indeterminable and will ultimately depend upon the number of non-exempt gallons of special fuel that are sold at a price higher than \$1.88 before taxes.

(Revised) *Background:* The low range of the estimate above is based on the Energy Information Association's *Short Term Energy Outlook* (January) estimate of Midwest gas prices (excluding taxes) for CY 2007 and CY 2008. The EIA estimates that Midwest gas prices will be just under \$2 after subtracting state and federal gas taxes. The high end of the estimate above assumes that gas prices will remain equal to the FY 2006 average pump price as implied from retailer returns submitted on form ST-103MP. The implied average pump price for FY 2006 was \$2.47. The average implied Sales Tax paid per gallon for FY 2006 was \$0.119, which

represents a blending of the prepayment rate and the 6% Sales Tax rate paid on non-prepaid taxable gallons.

The table below illustrates the revenue loss for each fund included in the Sales Tax distribution formula.

Fund	Revenue Impact (in millions)	Revenue Impact (in millions)
	Low Range	High Range
Property Tax Replacement Fund	(\$ 18.79)	(\$ 22.22)
State General Fund	(18.49)	(21.86)
Public Mass Transportation Fund	(0.24)	(0.28)
Commuter Rail Service Fund	(0.05)	(0.06)
Industrial Rail Service Fund	(0.01)	(0.01)
Total	(\$ 37.59)	(\$ 44.43)

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Bob Lain, State Budget Agency, 317-232-3471. www.eia.doe.gov

Fiscal Analyst: Adam Brown, 317-232-9854.